

# Open Research Online

---

The Open University's repository of research publications and other research outputs

## Evolution in Board Chair-CEO Relationships: A Negotiated Order Perspective

### Journal Item

#### How to cite:

Cornforth, Chris and Macmillan, Rob (2016). Evolution in Board Chair-CEO Relationships: A Negotiated Order Perspective. *Nonprofit and Voluntary Sector Quarterly*, 45(5) pp. 949–970.

For guidance on citations see [FAQs](#).

© [not recorded]



<https://creativecommons.org/licenses/by-nc-nd/4.0/>

Version: Accepted Manuscript

Link(s) to article on publisher's website:

<http://dx.doi.org/doi:10.1177/0899764015622705>

---

Copyright and Moral Rights for the articles on this site are retained by the individual authors and/or other copyright owners. For more information on Open Research Online's data [policy](#) on reuse of materials please consult the policies page.

---

[oro.open.ac.uk](http://oro.open.ac.uk)

# Evolution in Board Chair-CEO relationships: A negotiated order perspective

[This is a pre-publication version of the paper Cornforth, C and Macmillan, R. (2016) 'Evolution in Board Chair-CEO Relationships: A Negotiated Order Perspective' *Nonprofit and Voluntary Sector Quarterly*, 45(5): 949-970, doi:10.1177/0899764015622705]

## **Professor Chris Cornforth**

Open University Business School  
The Open University,  
Walton Hall,  
Milton Keynes,  
MK7 6AA,  
United Kingdom  
E: [chris.cornforth@open.ac.uk](mailto:chris.cornforth@open.ac.uk)  
W: [www.open.ac.uk/oubs](http://www.open.ac.uk/oubs)

## **Dr Rob Macmillan\***

Third Sector Research Centre (TSRC)  
University of Birmingham,  
Room 924, Muirhead Tower,  
Birmingham,  
B15 2RT  
United Kingdom  
E: [r.macmillan@bham.ac.uk](mailto:r.macmillan@bham.ac.uk)  
W: [www.tsrc.ac.uk](http://www.tsrc.ac.uk)

\*Corresponding author

## *Author(s)' Note*

We are grateful for the feedback received from colleagues, two anonymous reviewers and the editor of *Nonprofit and Voluntary Sector Quarterly* during the preparation of this article. The support of the UK Economic and Social Research Council (ESRC), the Office for Civil Society (OCS) and the Barrow Cadbury UK Trust is gratefully acknowledged.

## *Keywords*

Nonprofit governance, Chair-CEO relationships, longitudinal research, negotiated order theory, power

## ***Abstract***

The relationship between Chairs and Chief Executive Officers (CEOs) has been largely neglected in research on nonprofit governance. Yet a growing body of research on corporate governance in the private and public sectors suggests that this relationship is crucial both to the effective functioning of the board and the leadership of the organization. Much of the research on chair-CEO relationships has employed cross-sectional research designs ignoring the fact that these relationships will evolve over time. This paper responds to some of these challenges. It presents the results from longitudinal research examining the relationship between the chair and chief executive in a nonprofit organization. It shows how this relationship is ‘negotiated’ and develops over time in response to contextual changes.

## ***Introduction***

The relationship between Chairs and Chief Executives (CEOs) has been largely neglected in research on nonprofit governance. Yet a small but growing body of research on corporate governance in the private and public sectors suggests that this relationship is crucial both to the effective functioning of the board and the leadership of the organization (e.g. Stewart, 1991; Roberts and Stiles, 1999; Robinson and Exworthy, 1999; Kakabadse et al, 2010). Much of the research on chair-CEO relationships has employed cross-sectional research designs. However, as Shen (2003) notes the relationship between boards (and hence also chairs) and CEOs is a dynamic one and will evolve as it develops. As a result he calls for longitudinal research to examine the board-CEO relationship. More generally Cornforth (2012) has argued that research on nonprofit governance needs to pay much greater attention to processes of change and how these are influenced by contextual and historical factors. Similarly, 't Hart (2014) suggests that more research is required on the dynamic nexus between context and leadership.

This paper responds to these challenges. It presents the results from research examining the relationship between the chair and CEO, and how this relationship is ‘negotiated’ and develops over time in response to both contextual and situational changes. The research involved a longitudinal case study of a small nonprofit organization in the UK carried out over a 3.5 year period beginning in early 2010. Research on the governance of small nonprofit organizations has been rather neglected in the literature and this research also reflects on the particular governance challenges they face.

As Roberts and Stiles (1999: 38) note the roles and relationship between chairs and CEOs cannot be understood simply in terms of formal job and role descriptions. The boundaries between the roles are often unclear and change as they develop and in response to changing circumstances. A conceptual framework derived from negotiated order theory (Strauss, 1978) was chosen to analyse the case study data because it emphasises the recursive relationship between contextual factors and social interactions through which social relationships are negotiated (Dokko et al., 2012: 686)

The article is structured as follows. The next section analyses the relevant literature on chair – CEO relationships. This is followed by a discussion of the analytical framework, based on negotiated order theory, which was used to analyse how chair-CEO relationships develop. The methodology for the research is then discussed. This is followed by a presentation of the empirical findings from the case study. Finally, the conclusions from the research are discussed.

### ***The Chair – Chief Executive Relationship***

There has been relatively little empirical research on the relationship between chairs and CEOs in the nonprofit sector. Research has tended to focus more broadly on the relationship between boards and executives/staff. Ostrower and Stone (2006) suggest that much of the early prescriptive literature characterised the relationship between boards and staff as a partnership of equals, and that any problems between the board and staff could be resolved by clarifying their respective roles. Empirical research has challenged this view. The parties may have unequal power, the relationship may involve tensions and conflict, and change over time with changing circumstances (Kramer, 1985; Golensky, 1993). Wood (1992) suggests the relationship may follow a cyclical path with changes being triggered by organizational crises. Similarly, Mordaunt and Cornforth (2004) and Reid and Turbide (2014) highlight how organisational crises can trigger a loss of trust between boards and CEOs, and a shift in power relations.

Murray et al (1992) observed five broad patterns of power relations in a sample of Canadian nonprofits: the *CEO-dominated* board; the *chair-dominated* board; the *power sharing* or democratic board, which usually rejects any kind of dominant leadership by an individual; the *fragmented* board, where there are strong competing factions, and the *powerless* board where the board is unclear about its role and responsibilities and there is a lack of commitment. The CEO-dominated board was the most common, occurring in just under half the boards, followed quite closely by the power-sharing board. However, this research involved a cross-sectional survey and does not address how power relations may change over time as circumstances change.

Few studies have focussed directly on the relationship between chairs and CEOs in nonprofit organizations. Otto (2003) carried out a comparative study of the role of chairs and senior managers in the private, public and nonprofit sectors. Contrary to her initial expectations she found that roles in the nonprofit sector were not more ambiguous or conflicting, but that nonprofits found it more difficult to resolve these ambiguities. She also found chairs of nonprofits were more reluctant to use their formal powers, suggesting this may be due to the limited time voluntary chairs were able to commit to the role.

Iecovich and Bar-Mor (2007) examined the relative dominance of chairs and CEOs in a survey of local nonprofits in Israel. Similar to Murray et al (1992) they found that CEO dominance was the most common form of power relation (41% of organizations), but chairs were perceived to dominate in 36% of organisations. Interestingly they found that the more established the organization the more likely the CEO was to dominate. The best predictor of chair dominance was the amount of time the chair spent working in the organization, lending support to Otto's suggestion that this is a crucial factor in the degree of influence the chair has.

Next we discuss some of main theories that have been used to throw light on the relationship between the chair and CEO.

### *Theoretical perspectives on chair-CEO relations*

Agency theory has been the dominant theory used to explain corporate governance arrangements in the private sector (Keasey et al, 1997: 3-5). It assumes that the owners of an enterprise will have different interests from those that manage it. Consequently the main role of the board is to oversee management to ensure it acts in the owners' best interests, and a key role of the chair is to supervise the CEO. In contrast stewardship theory assumes that managers and owners share common interests and that managers can be trusted to act in the organization's and owners' best interests (Muth and Donaldson, 1998). The main function of the board is to work with management to improve organizational performance. By extension the role of the chair is to support and partner the CEO in leading the organization.

Two important criticisms can be made of these theories. It has been suggested that they only illuminate a particular aspect of a board's work (Hung, 1998: 108; Tricker, 2000: 295). Secondly, the theories identify universal and fixed roles; there is no recognition that boards and chairs may play a number of different roles depending on the circumstances.

In contrast to agency and stewardship theory, role theory recognises that a person may carry out a number of different roles and that roles may change as expectations on the role incumbent change (Biddle, 1986). Understanding the roles and relationships between a chair and CEO has to take into account the context i.e. the wider relationships and expectations that surround these two top jobs (Roberts and Styles, 1999: 37).

Stewart (1991) used role theory to help understand the relationship between chairs CEOs in various districts of the UK's National Health Service. She showed that the two roles overlap and are dependent on each other. There was also wide variation in the way chairs and CEOs performed their roles that were again partly explained by the amount of time the chairs devoted to the job.

While role theory offers an interesting insight into the different roles that chairs may play, it does not explain how the relationship between the chair and CEO develops over time. The overlapping domains of chair and CEO also suggest that a simple division of responsibilities between chairs and CEOs will not be possible, and there needs to be some negotiation over who does what. This is likely to be particularly the case in small nonprofit organizations, where the boundaries between the board and the executive can be very blurred (Rochester, 2003).

In order to better understand the chair-CEO relationship, then, there is need for an analytic framework that recognises the negotiated nature of the relationship, and how it is influenced by the wider context. Negotiated order theory offers such a possibility.

### ***Negotiated order theory***

Negotiated order theory (NOT) was developed by Anselm Strauss and colleagues in the 1960s and 1970s (Strauss, 1978). It was a development of social interactionist theory, which unlike earlier functionalist theories emphasised social change and the dynamic nature of social order (Day and Day, 1977). A key assumption of NOT is that ‘... an organization holds together not because of its role structure, but because its members consciously or unconsciously construct and reconstruct order, continuously negotiating formal and informal arrangements among themselves’ (Baïada-Hirèche et al, 2011:19).

NOT has been subject to a number of criticisms (e.g. Benson, 1977; Day and Day, 1977). Two of the most important are that it purports to provide a complete explanation of social order and that it has ignored wider structural factors, such as power relations. However, Strauss (1978: 247-259) explicitly refutes these concerns. He is at pains to point out that NOT is not a complete theory of social order, and argues that negotiation is ‘entwined’ with other processes, such as coercion, manipulation, education and persuasion, for ‘getting things done’, and that the researcher will need to study these processes together. Importantly NOT explicitly recognises how negotiations are shaped by wider structural factors.

NOT can be represented as three concentric circles with *negotiation* at its heart, embedded in the proximate *negotiation context*, which in turn is embedded in the wider *structural context* (Baïada-Hirèche et al, 2011:19). The *negotiation* consists of ‘the interactions and strategies that actors use in the process of mutual adjustment’ (Baïada-Hirèche et al, 2011:19). This may involve sub-processes including making trade-offs, paying off debts, compromises and negotiated agreements. The *negotiation context* consists of those ‘structural properties’ that immediately act as ‘conditions’ of the negotiation, including the actors, the stakes they have in the negotiation, the settings in which they interact, the frequency of their interactions, the power sources they can draw upon and the issues that they face (Strauss, 1978: 237-8). The *structural context* consists of the structural properties of the wider social setting in which the negotiations take place (Strauss, 1978: 237). It may include organizational, economic, social, technological and political conditions, that impact on the other two dimensions. The nature of the negotiation context and structural context will vary over time and ‘place’ and need to be derived inductively from the field (Baïada-Hirèche et al, 2011: 19).

In NOT social order is negotiated and re-negotiated through a recursive relationship between the structural context, the negotiation context, social interactions and their outcomes (Dokko et al., 2012: 686). Unlike contingency theory, which assumes that contextual factors have an objective status, NOT recognises that actors actively interpret and make sense of their environment and it is the meaning that actors make of external events that shapes their actions.

While Strauss’ theory is relatively old it continues to attract interest in a variety of fields, including management studies, and has been used, for example, to help understand managerial responsibility (e.g. Baïada-Hirèche et al, 2011), technological innovation (e.g. Dokko et al, 2012), ‘lean’ approaches to organizational improvement (Rahbek et al, 2011) and the competing roles of middle managers (Bryant and

Stensaker, 2011). More specifically various authors have suggested its potential for understanding chair-CEO relations (Roberts and Stiles, 1999; Robinson and Exworthy, 1999).

### ***Methodology***

The data on which this article draws comes from a longitudinal case study of a small, local nonprofit organization – ‘Hawthorn’<sup>1</sup> – which provides family support services in an English town. It provides weekly two-hour drop-in support sessions at various locations across its district. Each session involves a (paid) facilitator, supported by one or two volunteers, working with a small group of women and their children, with expert input from a range of specialist professionals, such as health visitors.

The case study is part of a larger qualitative, longitudinal programme of research examining the fortunes, strategies and challenges faced by a range of nonprofit organizations (Macmillan, 2011; Macmillan et al, 2011). At ‘Hawthorn’, the research involved 22 semi-structured interviews with 13 different people associated with the organisation, including staff and board members, over the period Spring 2010 to Summer 2013, supplemented by observations of, for example, project activities, an Annual General Meeting, a volunteer coffee morning and an external stakeholder open day. Table 1 below provides details of interviewees. In particular, the research included four interviews with the new CEO (July 2010, December 2010, September 2012 and July 2013), three interviews with the Chair (April 2010, September 2011 and September 2012), and finally one joint interview with both the Chair and CEO (July 2013). These are highlighted in the table and form the main basis for the analysis presented here. The analysis was informed by the other interviews in the case, and triangulated with observations and analysis of documents, particularly in relation to the funding context facing the organisation and how it developed its overall strategy.

[Insert table 1 here]

Due to the longitudinal nature of the study, the precise questions asked in each interview were a flexible response to the changing circumstances of the organisation. As is characteristic of qualitative longitudinal research, the interviews involve a ‘temporally chaotic’ (Langley and Stensaker, 2012: 163) combination of current, prospective and retrospective reflection. This combination is reflected in our analysis. Interviews in wave 1 tended to involve questions designed to understand the recent historical background of the organisation; for example, how it was formed and how it had developed to date. Interviews in subsequent waves involve more of a reflection on developments since the previous wave of research and current pre-occupations.

Analysis of the data was conducted in two stages. In the first stage all the interviews were transcribed and subject to initial broad coding. Nvivo software was used to assist in the management of a large, complex dataset. Broad codes relevant to this article included ‘organisational history’, ‘structure’ and ‘governance and leadership’: the latter consisting of material pertaining to boards, trustees, regulation, constitutions, roles and expectations of leaders such as officers and senior staff.

In the second stage of analysis we chose not to follow a detailed analytical coding approach because there is danger that it can lead to fragmentation and data being considered out of context (Coffey and Atkinson, 1996: 80; Spencer et al, 2003: 203). This is particularly important in longitudinal studies where there is a complex interplay between context and organisational processes. Instead we adopted a manual approach to data analysis, similar to that described by MacLure (2008: 174), where we read and re-read the data, annotated and made notes on transcripts, and brought different theories and ideas to bear as we tried to make sense of the data. Our approach was informed by Pettigrew's account of 'processual analysis', in which attention is drawn to chronology, sequences of action, transition points and critical personalities (Pettigrew, 1992: 345). The various theories that have been used to try to understand chair – CEO relations outline in the literature review were considered and we felt NOT best enabled us structure the analysis and to make sense of data.

### *Analysis of the case*

Hawthorn originated as a volunteer-only group. When the research started, it had been in operation for approximately five years, and had an annual income of around £50,000. A long-term grant from a foundation alongside a small grant from its local council had enabled Hawthorn to expand and employ its first staff, and its founder became the organisation's first paid Co-ordinator/CEO. However, as research participation was being discussed, Hawthorn was thrown into crisis. The Co-ordinator was dismissed for disciplinary reasons. Within a couple of months a new and relatively inexperienced Co-ordinator was appointed, tasked by the board of trustees with restoring Hawthorn's external reputation and developing new internal structures and systems. Given the size of the organization, and the fact that the trustees and staff had mainly been recruited through the founding co-ordinator, the crisis tested personal and professional loyalties. However, the trustee board held together, and the new Co-ordinator, supported by the Chair, started implementing new ideas for how Hawthorn should be organised and developed.

Over the subsequent 3.5 years the research tracked Hawthorn's progress in its explicit strategy of becoming more formal and professional, in order to provide more services and be in a better position to compete for new resources. Our analysis here uses NOT to examine how the Chair-CEO relationship evolved through four important phases during this period. These phases were derived inductively from the longitudinal data, and correspond to distinctive periods in the focal relationship between the Chair and CEO. In this we follow the 'temporal bracketing' approach suggested by Langley and Stensaker (2012: 163), where data is subdivided into phases separated by discontinuity, allowing comparison between phases as units of analysis. The analysis proceeds from the macro to the micro levels, analysing the structural and negotiation contexts before analysing how the relationship between the Chair and CEO was negotiated. A summary of the main findings are presented in table 2 and are discussed in more detail in the sections below.

[Insert table 2 here]

### **Phase 1: Growth and the Coordinator Crisis**

#### **Structural context**



Hawthorn began as a small voluntary group in 2004 led by its founder Clare. She recruits various friends and acquaintances to be the organization's first board members. Between 2004 and 2008 Hawthorn grows very slowly by obtaining small grants, but in 2008 a large foundation grant enables it to expand its operations and to employ Clare as a Coordinator and other staff to run sessions for its client group. The new funding shields the organization from the effects of the financial crisis that began in 2008, and the subsequent austerity measures and cut-backs in public services.

A consequence of the new funding is that the Coordinator and the board recognise that the organization needs to become more business-like now they are managing an increased budget and paid staff. As a result a new Chair for the governing body is sought to bring this necessary experience and expertise to the organization.

### **Negotiation context**

Clare uses her contacts to recruit the new Chair, David. He has considerable experience in the governance of housing associations. He is also a local parish councillor, well known and well-connected politically. As one staff member observes, his recruitment, in Autumn 2008, marks the beginning of an important transition for the organization:

*'... We had ... two previous chairs but they weren't aware of the chair role, ... but after the [grant] came in ... it became a business and getting a new chair ... he's brought it into a business...'*

However, the new Chair has a shock after joining the board, when he finds the organization is in a worse state than he had assumed:

*'I was led to believe that [it] was ... a very good organization with policies, procedures and ... internal controls, and within two months I saw the real picture ... it ... had no internal controls, very few policies, procedures, ...'*

The organization has a very informal culture. For example, the Chair comments on trustees' meetings: *'There were verbal updates and the minutes of the meetings were very kind of sketchy which didn't really capture anything.'* As a result he sets about trying to professionalise the organization by introducing a more formal approach. This sets the context for the evolving relationship between the Chair and the Coordinator.

### **Negotiations**

The new Chair seeks to change relationships between himself, the board and the Coordinator. In particular he tries to establish a line management relationship with the Coordinator, but this is resisted. The Chair observes:

*'...when I started doing my initial one to one meetings with Clare I ... introduced ... some smart targets into a work plan, which for the first probably 6 months Clare resisted that kind of approach and it was quite a struggle and there was lots of discussions around that we weren't really big enough to have written reports to Trustees. But then very quickly it became very clear that the verbal updates were just a smokescreen to very poor performance ...'*

The Chair is so concerned about the state of the organization that he commissions outside consultants to carry out an audit of Hawthorn's systems and procedures to see if his views are supported. This appears to be tactical. He is aware that trustees are friends of the Coordinator and that his views might not be supported without external validation. Again the Coordinator resists this process, as one staff member observes:

*'I've always been answerable to somebody, but Clare never was ... the information holding got worse and worse... And it turned out to be this power struggle...'*

The audit report confirms the Chair's concerns and sets out an action plan to improve performance management and accountability in the organization. The trustees are frustrated by the failure of the Coordinator to provide information, and there is a growing sense of distrust. Subsequently, the Coordinator is suspended and then dismissed for an unrelated disciplinary matter after an investigation by the trustees.

As Strauss notes negotiations are often entwined with other processes such as the exercise of power, persuasion and manipulation. The relationship between Chair and the Coordinator could not be satisfactorily resolved by just negotiation and persuasion, but resulted in a power struggle with the Chair and the board having to use their formal authority to try to resolve the situation, and then, when a disciplinary matter is discovered, to dismiss the Coordinator.

## **Phase 2: Transition and appointment of new Coordinator**

### **Structural context**

A new phase begins with the dismissal of the founding Coordinator in Spring 2010. During this period the funding for the organization is still secure but the main grant is due to end in 2013. Discussions are held with Hawthorn's funders to explain the situation regarding the audit and previous Coordinator and agree a new set of key performance indicators (KPIs).

### **Negotiation context**

The Chair is aware the organization needs to be in the position to bid for further funding before the current grant ends. In the absence of a coordinator the Chair, supported by trustees, effectively acts as the manager of the organization. Other staff take on increased hours and responsibilities. The crisis over the Coordinator and the recruitment of a replacement, Ellie, also requires the board to take a more proactive role, which helps it to gel and work together more effectively. As one board member observes:

*'... the trustees had a lot of input into getting another coordinator ..., and I think that's what it made it work a lot better; because we all came together... so I think Ellie knew where she stood from the beginning ... It was like her working for us and not us working for them ...'*

Ellie is young and has relatively little managerial experience. The Chair takes a risk in arguing for her appointment, against the views of some other panel members, who thought she was too inexperienced.

## **Negotiations**

Given the relative inexperience of the Coordinator the Chair takes on a line management and mentoring role with her, with regular meetings and contact. She sees the Chair as acting as her boss in the first few months of the job, but gradually this relationship begins to change to a position where she feels can have more input or disagree with him:

*‘The first four or five months was very much whatever David says goes, and he’s the big boss, whereas even now I’m learning that some things I can disagree with him on ...’*

Initially Ellie feels that the legacy of the previous Coordinator means that the board is less willing to trust her, but gradually this changes as she is seen to be doing a good job.

The first year of Ellie’s role as Coordinator involves working to restore Hawthorn’s internal operations and external reputation. Ellie and David develop a strong working relationship. Ellie consciously attends to internal procedures, for example for managing volunteers. In addition Ellie and David implement a rethink of the way services are organized, including a rebranding exercise to demonstrate Hawthorn’s new professional image. Ellie comments on how she and David developed the idea, which reflects a change in the relationship to one based more on partnership:

*‘we were having this kind of idea thing of where we could take Hawthorn and what it could do...once he had gone, I thought, “right, okay, I’ll develop this journey”... We have kind of an idea sharing conversation, then I’ll put that on paper really, and then we’ll look at it again...’*

## **Phase 3: Further Consolidation and internal conflict**

### **Structural context**

The local authority is moving towards commissioning contracts for family services. The security of national funding for these services is also reduced and a local targeted source of funding is to be abolished. The Chair, through his extensive networks, has anticipated these developments, and this informs his efforts to professionalise Hawthorn to be in a position to compete for contracts.

The new service structure in Hawthorn is in place and services have expanded. From interviews with external stakeholders, it appears that the more professional approach and image has been well received.

### **Negotiation context**

The Coordinator is primarily office bound, away from the various locations where the drop-in sessions are held. Her emphasis is on improving the administration of the organization and putting new policies and procedures in place. As a result the Chair considers that she has become somewhat isolated from the rest of the team and activities: *‘...she’s too office based and she’s not really engaging with the service users...’*.

During this time tensions emerge among the staff team. The Chair comments:

*‘... it appears that the team’s split.... It’s not healthy, they don’t seem to work together particularly well at the moment...’*

In part the split is exacerbated by the return from maternity leave of a long-standing staff member. She is unhappy with the changes the organization has made and fears it is losing its original ethos. The Chair is concerned that Ellie has not adequately addressed the situation, he observes:

*‘when the staff meetings take place there’s almost like two camps...I think Ellie’s lack of experience hasn’t been able to manage that process.’*

### **Negotiations**

This conflict makes the Chair reassess the Coordinator’s strengths and weaknesses and his relationship with her, and her relationship with the team. He observes:

*‘...we are ... looking for some mentoring for Ellie around people management, ... Because the paperwork side is exceptional...but we need the whole package’*

The Chair is also concerned about the boundary between his and the Coordinator’s roles, and whether he is getting too involved in management:

*‘...it’s so difficult to not get sucked in and actually do the job for Ellie ..., but then if I started getting involved in line managing her staff, one, it’s not beneficial to Ellie and two, I might as well apply for Ellie’s job.’*

His concerns are reflected by another staff member who comments:

*‘I do feel that David is running Hawthorn, and Ellie’s just David’s puppet.’*

The Chair recognizes he needs to move from a mentoring role to more of a line management role and negotiates with the Coordinator to get an outside person to undertake the mentoring role.

### **Phase 4: A new crisis and critical incidents**

#### **Structural context**

After a period of relative calm and consolidation, a move of premises and concerns over long-term funding dominate issues affecting the organization. The new building has the advantage of consolidating the staff in one place, but requires some refurbishing.

A further bid to the foundation to give continuation funding is submitted, but is unsuccessful. This is a significant blow to morale. The organization is tendering for a local authority contract to deliver services for the first time.

#### **Negotiation context**

The move to a new building and the funding situation creates new issues that have to be dealt with by the Chair and Coordinator. The Chair feels a sense of continuing

crises that require a high level of involvement with difficult decisions about where to focus his attention:

*‘As soon as we get quite level, we then decide to come and move to a building like this, ... that then needs quite a lot of support. Even getting this place painted and stuff like that. ... Ellie’s still... got quite a lot of development ..., which takes a lot of time ... and then trying to strengthen the trustee Board and encouraging some of the trustees to get more involved. All I do is move my attention somewhere else...’*

In addition longer-term funding issues are becoming more pressing. This crystallises when the new bid to the foundation is rejected. The Chair comments:

*‘... we had a letter from the [foundation] saying that we weren’t successful ... which has really kicked the organization, ... And then supporting Ellie through that, ... what our next plans are, ...? It’s another drain on my resources ...’*

At the same time the Chair wants to step back from his role as Chair, but the organization is finding it difficult to find a replacement and he feels pressure to stay on:

*‘I made it very clear ... that I would resign from the Chair position at this AGM.... But ... everybody’s, you know, “I want you to stay”’*

### **Negotiations**

The Chair tries to negotiate a less involved relationship with the organization and Coordinator. However, he feels compelled to give more time when challenges arise, such as the move to the new building and the failure of the grant application:

*‘Ellie was very much in the seat, running the show. But I got more involved again when we moved here and I’ve just about started to back off and then the [grant decision]... this week’s peaked it again. Ellie just needs that support... As soon as we get a strategy agreed then she’s clear again, she’ll be off again.’*

The Chair also feels he has to support the Coordinator when she has to bid for a tender with the local authority as she has not done this before, and worries about what will happen to Hawthorn if this is not successful.

During this period the Chair and Coordinator are still negotiating their relationship and how the Chair can best offer support, as highlighted here by the Coordinator:

*‘he always says to me “you need to tell me what I need to do or where I need to go if I’m... stepping on your toes.” ...it’s probably going to take us another six months to get it right, how we work together.’*

Both had done a Myers-Briggs<sup>2</sup> psychometric profile and were discussing the implications for how they work together:

*'... one of the things that's come out is that Ellie's ... an ideas person. So, my view is ... why aren't you sharing them? Am I a barrier to that?'*

The Coordinator reflects similarly:

*'it was really helpful, ... he gets very wound up with me because he says I don't communicate, I make all the decisions in my head and then I just go and do it. ... that's true, but I think it's having a sit down and actually think that's just my personality ... if you give me time to talk and time to share things I will.'*

Looking back, from the vantage point of 2012, on how her relationship with the Chair has changed since she started in 2010, Ellie suggests the emergence over time of a more equal relationship:

*'... to start with I think he was ... very intimidating... it took me...a good six months to get comfortable in the organization ... I've continued to grow and I think... he's started to, you know, respect me and trust me .... He still definitely will challenge me on things and it's only now after kind of two and a half years that I'm starting to think right, okay, I could challenge him back. ... There hasn't been many times that we've had a different view... but I'm definitely more confident to do that now.'*

### **Discussion and Conclusions**

Research on the relationship between boards and staff in nonprofit organizations has tended to characterise the relationship in terms of roles and power. The most prevalent pattern observed is the CEO-dominated board, but other patterns including the chair-dominated board are also common. More specifically the research on chair-CEO relationship has characterised it in terms of relatively stable role descriptions. With a few exceptions these studies take little or no account of how context may shape these relationships. This research challenges these views. It provides clear evidence of the dynamic and contextually embedded nature of the chair-CEO relationship. It shows that the relationship between the chair and CEO cannot be fully captured in terms of stable power differences or role descriptions and that the boundary between what the chair and CEO do is subject to renegotiation and change as the relationship develops and in the light of changing circumstances.

Negotiated order theory suggests that negotiations are recursively embedded in wider structural factors such as power relations. Pettigrew and McNulty (1995, 1998) argue that board members and executives are able to draw on a variety of structural power sources such as position, expertise, access to information, and relationships with other key actors. However, they suggest that it is not just access to these structural sources of power that determines influence, but 'will' and 'skill' in using power sources, and that different contextual conditions can be more or less favourable to the exercise of power and authority. The case study suggests that differences in power sources between the Chair and the two Coordinators (CEOs) and will and skill in using these sources of power in a contextually relevant way were important in shaping the interactions between them and how the relationship develops. In addition the case suggests that having time is also crucial to the exercise of power. The Chair not only

had the will and skill to use various sources of power, but was able to devote the necessary time to do so.

With respect to the second Coordinator, the Chair's established position, the fact that he had essentially been acting as CEO after the first Coordinator left the organization, as well as his formal position as chair and good relations with board members put him in a strong position of authority with respect to the new Coordinator. This was reinforced by the relatively large difference in age and experience between the two. At this stage in the relationship the Chair was able to commit considerable time to his voluntary role. This enabled him to adopt both a line management and mentoring role with respect to the new Coordinator, who, at least initially, felt somewhat in awe of him.

The Chair's relationship with the first Coordinator highlights how differences in the negotiation context can influence how the relationship is negotiated. In this instance it was the Chair who was new and the Coordinator who was established and had close personal links with the board. Although the Chair was recruited in order to make the organization more business-like, the Coordinator felt able to resist the Chair's attempts to establish clearer lines of accountability and more formal systems and procedures. Because the Chair was unsure of his authority and his degree of influence in the board he felt he had to commission an external audit to verify his view of the problematic state of the organisation. This negotiation tactic was important in gaining the board's support, and in reinforcing his position with the Coordinator. It also helped to cement his authority within the organization.

The literature highlights the important role of trust and mutual respect if a positive relationship is to develop between a chair and CEO and how both virtuous and vicious circles can occur if trust builds or breaks down (Roberts and Styles, 1999; Sundamurthy and Lewis, 2003). The first Coordinator's resistance to change and withholding of information led to a deterioration of trust and the eventual breakdown of the relationship with the Chair and ultimately the board. As the second Coordinator gained confidence and experience, she and the Chair were able to establish a close working relationship which enabled mutual trust and respect to develop. Interestingly the two were conscious of the need to work together well and were able to reflect on and renegotiate their respective roles as circumstances changed. For the Chair there was a tension between how much control and support to exercise with respect to the Coordinator. On the one hand he did not want to undermine the Coordinator, but on the other hand he felt compelled to intervene when he felt she did not have the skills or expertise to deal with specific situations.

However, the gradual change in the relationship was not a linear process, and the research highlights some of the important contextual events that affected short-term changes in the relationship. NOT highlights the recursive relationship between the negotiation and wider structural context. An important source of the Chair's power was his ability to make sense of changes in the organization's external environment, particularly around funding, and then develop a compelling narrative about how the organization needed to respond if it was to meet the requirements of funders and acquire new funding in the future. This is particularly important in small voluntary organizations like Hawthorn that are dependent on one or two key funders and hence very vulnerable to changes in their priorities.

As various authors have noted, boards in both the private and nonprofit sectors are more likely to become proactive when their organization faces a crisis (Lorsch and MacIver, 1989; Wood, 1992; Mordaunt and Cornforth, 2004). Similarly, in this case crises were important in triggering the Chair to intervene and take a more managerial role himself. Sometimes these crises stemmed from within the organization, for example when there were tensions among the staff group the Chair intervened directly and organised a meeting with staff to try to resolve the issue. Sometimes crises stemmed from outside the organization, for example when its continuation grant bid failed. Again the Chair stepped in to work with the Coordinator in the pursuit of new funding. Other changes in the wider structural context were also important in influencing the relationship. The Chair's drive to professionalise the organization was a proactive response both to meet the monitoring requirements of existing funders, and to build the systems and external reputation of the organization to prepare it for bidding for contracts with the local authority.

The research also throws further light on what Rochester (2003) has called the liability of smallness. He notes that in small organizations it is more difficult to differentiate between the role of the board and the role of staff than in larger organizations as the staff often do not have all the skills or time needed to run the organization and so board members often take on more operational roles. Similarly, in this case the boundary between the roles of the Chair and Coordinator was more of a blurred and shifting zone as the Chair felt it necessary to compensate for the Coordinator lack of experience or skills. This created certain dilemmas for the Chair. He was aware of the dangers of intervening too much and undermining the Coordinator, but at the same time was aware of certain skill gaps, including strategically anticipating developments in the external context. He was also aware of the pressure on his own time and wanted to step back from the role, but often felt he could not. These tensions and challenges can make the position of chair in small nonprofit organizations particularly demanding.

An important limitation of case study method is the ability to generalise in a statistical sense. As previous research has revealed relationships between chairs and CEOs are likely to differ in other contexts. However, in-depth longitudinal case studies do have the potential to reveal underlying causal processes and to develop theoretical generalisations (Eisenhardt and Graebner, 2007; Tsang, 2013). The research demonstrates that NOT, when combined with an understanding of power relations in and around boardrooms, provides valuable conceptual tools for helping to understand not only *how* but *why* the relationship between Chair and CEO/Coordinator changed over time. It has shown that the negotiation of the relationship is influenced by the relative differences in experience, skill, the extent to which each had established a position of authority in the organization, and the will, skill and time necessary to use these power sources. It also demonstrated how changes in the relationship were often triggered by wider contextual changes. In particular perceived crises triggered by either external events, such as the failure of the funding bid, or internal events such as the conflict between the staff, which caused the Chair to take a more pro-active and executive role. An important part of the Chair's power stemmed from his perceived ability to make sense of these contextual changes and present compelling way of addressing them. Establishing mutual trust and respect were also important in



developing a successful working relationship; when trust begins to break down there is a danger the relationship can enter a downward spiral.

### *Notes*

1. 'Hawthorn' is a pseudonym designed to provide case anonymity, and all names of respondents have been changed.
2. Myers-Briggs is a psychometric test to assess psychological preferences and is often used to help with personal development and group dynamics.

## References

- Baïada-Hirèche, L., Pasquero, J., & Chanlat, J-F. (2011). Managerial Responsibility as Negotiated Order: A Social Construction Perspective. *Journal of Business Ethics*, 101, 17–31.
- Benson, J. K. (1977). Innovation and Crisis in Organizational Analysis. *Sociological Quarterly*, 18, 3-16.
- Biddle, B. J. (1986). Recent Development in Role Theory. *Annual Review of Sociology*, 12, 67-92.
- Bryant, M. & Stensaker, I. (2011). The Competing Roles of Middle Management: Negotiated Order in the Context of Change. *Journal of Change Management*, 11, 353-373.
- Coffey, A. & Atkinson, P. (1996). *Making sense of Qualitative Data: Complementary Research Strategies*. London: Sage.
- Cornforth, C. (2012). Nonprofit Governance Research: Limitations of the Focus on Boards and Suggestions for New Directions. *Nonprofit and Voluntary Sector Quarterly*, 41, 1116–1135.
- Day, R. & Day, J.V. (1977). A Review of the Current State of Negotiated Order Theory: An Appreciation and a Critique. *The Sociological Quarterly*, 18, 126-142.
- Dokko, G., Nigam, A. & Rosenkopf, L. (2012). Keeping Steady as She Goes: A Negotiated Order Perspective on Technological Evolution. *Organization Studies*, 33, 681-703.
- Eisenhardt, K.M. & Graebner, M.E. (2007). Theory Building from Cases: Opportunities and Challenges. *Academy of Management Journal*, 50, 25–32.
- Golensky, M. (1993). The Board-Executive Relationship in Nonprofit Organizations: partnership or Power Struggle? *Nonprofit Management and Leadership*, 4, 177-191.
- ’t Hart, P. (2014). Contextual Analysis. In Rhodes, R. A. W. & ’t Hart, P. (Eds). *Oxford Handbook of Political Leadership*. Oxford: Oxford University Press.
- Hung, H. (1998). A typology or theories of the roles of governing boards. *Corporate Governance*, 6, 101-111.
- Iecovich, E. & Bar-Mor, H. (2007). Relationships Between Chairpersons and CEOs in Nonprofit Organizations. *Administration in Social Work*, 31, 21-40.
- Kakabadse, A.P., Kakabadse, N.K. & Knyght, R. (2010). The “Chemistry factor” in the Chairman/CEO Relationship. *European Management Journal*, 28, 285-296.

- Keasey, K., Thompson, S. & Wright, M. (1997). The Corporate Governance Problem - Competing Diagnoses and Solutions. In K. Keasey, S. Thompson & M. Wright (Eds.) *Corporate Governance: Economic and Financial Issues*. (pp.1-17). Oxford: Oxford University Press.
- King, N. (2012). Doing template analysis. In G. Symon & C. Cassell (Eds.) *Qualitative Organizational Research: Core methods and current challenges*, London: Sage.
- Kramer, R. M. (1985). Toward a contingency model of board-executive relations. *Administration in Social Work*, 9, 15-33.
- Langley, A. & Stensaker, I. (2012). Longitudinal Research and Analysis. In G. Symon & C. Cassell (Eds.) *Qualitative Organizational Research: Core methods and current challenges*, London: Sage.
- Lorsch, J. W. & MacIver, E. (1989). *Pawns or Potentates: The Reality of America's Corporate Boards*. Boston: Harvard Business School Press.
- Macmillan, R. (2011). *Seeing things differently? The promise of qualitative longitudinal research on the third sector*, TSRC Working Paper 56, Birmingham: Third Sector Research Centre. Retrieved from <http://www.tsrc.ac.uk/Research/RealTimes/Seeingthingsdifferently/tabid/787/Default.aspx> (accessed on 19 March 2013).
- Macmillan, R., Arvidson, M., Edwards, S., Soteri-Proctor, A., & Teasdale S. (2011). *First impressions: introducing the 'Real Times' third sector case studies*, TSRC Working Paper 67, Birmingham: Third Sector Research Centre. Retrieved from <http://www.tsrc.ac.uk/Research/RealTimes/FirstimpressionsRealTimescase studies/tabid/862/Default.aspx> (accessed on 19 March 2013).
- Mordaunt, J. & Cornforth, C. (2004). The role of boards in the failure and turnaround of non-profit organizations. *Public Money and Management*, 24, 227-234.
- Murray, V., Bradshaw, P., & Wolpin, J. (1992). Power In and Around Boards: A Neglected Dimension of Governance. *Nonprofit Management and Leadership*, 3, 165 - 182.
- MacLure, M. (2008). Classification or wonder? Coding as an analytic practice in qualitative research. In R. Coleman & J. Ringrose (Eds.) *Deleuze and research methodologies*. (pp.164-183). Edinburgh, UK: Edinburgh University Press.
- Muth, M. M. & Donaldson, L. (1998). Stewardship Theory and Board Structure: a Contingency Approach. *Corporate Governance*, 6, 5-28.
- Ostrower, F. & Stone, M. (2006). Governance: Research Trends, Gaps and Future Prospects. In W.W. Powell & R. Steinberg (Eds.) *The Nonprofit Sector Handbook* (2<sup>nd</sup> edition). New Haven, CT: Yale University Press.

Otto, S. (2003). Not so very different: a comparison of the roles of chairs of governing bodies and managers in different sectors. In C. Cornforth (Ed.) *The Governance of public and Non-Profit Organisations: What do Boards do?* London: Routledge.

Pettigrew, A. (1992). What is Processual Analysis? *Scandinavian Journal of Management*, 13, 337-348.

Pettigrew, A. & McNulty, T. (1995). Power and Influence In and Around the Boardroom. *Human Relations*, 48, 845-873.

Pettigrew, A. & McNulty, T. (1998). Sources and Uses of power in the Boardroom. *European journal of Work and Organizational Psychology*, 7, 197-214.

Rahbek, E., Pedersen, G. & Huniche, M. (2011). Determinants of Lean Success and Failure in the Danish Public Sector: A Negotiated Order Perspective. *International Journal of Public Sector Management*, 24, 403-420.

Reid, W. & Turbide, J. (2014). Dilemmas in the board-staff dynamics of nonprofit governance. In C. Cornforth & W. Brown (Eds.) *Nonprofit Governance: Innovative Perspectives and Approaches*. Abingdon, UK: Routledge.

Roberts, J. & Stiles, P. (1999). The Relationship between Chairmen and Chief Executives: Competitive or Complementary Roles? *Long Range Planning*, 32, 36-48.

Robinson, R. & Exworthy, M. (1999). *Two at the top: A study of the working relationship between chairs and chief executives at health authorities, boards and trusts in the NHS*. London and Birmingham: NHS Confederation.

Rochester, C. (2003). The Role of Boards in Small Voluntary Organizations. In C. Cornforth (Ed.) *The Governance of Public and Non-profit Organizations: What Do Boards Do?* London: Routledge.

Shen, W. (2003). The dynamics of the CEO-board relationship: An evolutionary perspective. *Academy of Management Review*, 28, 466-467.

Spencer, L., Ritchie, J. & O'Connor, W. (2003). Analysis: Practices, Principles and Processes. In J. Ritchie & J. Lewis (eds)(2003) *Qualitative Research Practice: A Guide for Social Science Students and Researchers* (pp.199-28). London: Sage.

Stewart, R. (1991). Chairman and chief executives: An explanation of their relationship. *Journal of Management Studies*, 28, 511-527.

Strauss, A. L. (1978). *Negotiations: Varieties, contexts, processes and social order*. San Francisco, CA: Jossey-Bass.

Strauss, A. L. (1993). *Continual permutations of action*. New York: Aldine de Gruyter.

Sundaramurthy, C. & Lewis, M. (2003). Control and Collaboration: Paradoxes of Governance. *Academy of Management Review*, 28, 397-415.

Tricker, B. (2000). Editorial - Corporate Governance - the subject whose time has come. *Corporate Governance*, 8, 289-296.

Tsang, E.W.K. (2014). Generalizing from Research Findings: The Merits of Case Studies. *International Journal of Management Reviews*, 16, 369-383.

Wood, M. M. (1992). Is governing board behaviour cyclical? *Nonprofit Management and Leadership*, 3, 139–163.

## **Author Biographies**

**Chris Cornforth** is Professor of Organisational Governance and Management at the Open University Business School in the UK. His main research has focussed on the governance of nonprofit organisations. He is co-editor of the book 'Nonprofit Governance: Innovative Perspectives and Approaches' published by Routledge in 2013.

**Rob Macmillan** has been a Research Fellow at TSRC since it was established in 2009, where he is responsible for coordinating a qualitative longitudinal study of third sector organisations and activities. His main research interests are around capacity-building and infrastructure support, and the relationship between markets and the third sector.

**Table 1: Participants interviewed during the research**

| Wave | Date     | Role  | Interview |
|------|----------|---|-----------|
| 1    | 22/04/10 | Project Manager   | 1st       |
| 1    | 22/04/10 | Chair ('David')   | 1st       |
| 1    | 14/07/10 | New Coordinator ('Ellie')   | 1st       |
| 2    | 07/12/10 | Administrator   | 1st       |
| 2    | 07/12/10 | New Coordinator ('Ellie')   | 2nd       |
| 2    | 07/03/11 | CEO of local development organisation                               | 1st       |
| 2    | 07/03/11 | Board advisor/Development Manager of local development organisation | 1st       |
| 2    | 16/03/11 | Board member/CEO of local peer voluntary organisation               | 1st       |
| 2    | 17/03/11 | Coordinator of similar statutory project                            | 1st       |
| 3    | 30/08/11 | Project Manager   | 2nd       |
| 3    | 09/09/11 | Chair ('David')   | 2nd       |
| 3    | 09/09/11 | Board member/local statutory partnership manager                    | 1st       |
| 3    | 19/09/11 | Treasurer   | 1st       |
| 4    | 14/08/12 | Board advisor/Development Manager of local development organisation | 2nd       |
| 4    | 30/08/12 | Board member of local peer voluntary organisation                   | 1st       |
| 4    | 30/08/12 | Coordinator of similar statutory project                            | 2nd       |
| 4    | 05/09/12 | Project Manager   | 1st       |
| 4    | 05/09/12 | Chair ('David')   | 3rd       |
| 4    | 05/09/12 | New Coordinator ('Ellie')   | 3rd       |
| 4    | 04/10/12 | Commissioner – local statutory organisation                         | 1st       |
| 5    | 24/07/13 | New Coordinator ('Ellie')   | 4th       |
| 5    | 24/07/13 | Chair ('David')/New Coordinator ('Ellie') - joint                   | 4/5th     |



**Table 2: A summary of the analysis of the case**

| <b>Negotiations in context</b>  | <b>Growth and the coordinator crisis (2004-2010)</b>  | <b>Transition and appointment of new coordinator (2010-2011)</b>   | <b>Further consolidation and internal conflict (2011-2012)</b>  | <b>A new crisis and critical incidents (2012-2013)</b>  |
|---|---|--|---|---|
| <b>Structural context:</b><br>-organizational<br><br>-financial/<br>economic<br><br>- political | <p>Organization starts as small volunteer group. Friends and acquaintances 'recruited' by the founder to the board. New funding enables expansion of services. Founder becomes paid coordinator.</p> <p>Funding provides insulation from effects of wider financial context.</p> <p>Political shift in local authority, which may have implications for future funding.</p> | <p>In the absence of a Coordinator the Chair takes on a much more pro-active role.</p> <p>Funding secure until 2013.</p> | <p>A new service structure is in place and services have expanded. The new approach (and image) seems to have been well received.</p> <p>The local authority is moving towards outsourcing services and a ring fence on national funding has been removed. A local targeted source of funding is to be abolished.</p> | <p>After a period of relative calm a move of premises and concerns over long term funding dominate issues affecting the organization.</p> <p>A funding bid is unsuccessful and the organization is in the position of having to tender for a local authority contract for the first time.</p> |
| <b>Negotiation context:</b><br>- settings   | New Chair concerned over  | Trustees become more   | Chair concerned about   | The move to a new   |

|  |  |  |   |  |
|--|--|--|---|--|
| - key actors, interests and expectations | state of the organization, e.g. the lack of systems and procedures.<br>Coordinator happy with informal way of working.   | involved during the crisis and in appointing a new relatively inexperienced coordinator.<br><br>Chair clear that organization needs to be in a good position to bid for further funding when current funding ends.   | emerging funding environment and wants organization to professionalise to be in position to bid for contracts when current funding ends.<br><br>The new Coordinator is primarily office bound and potentially isolated from the rest of the team and activities.<br><br>Divisions emerge in the staff team. | building creates practical challenges.<br><br>Chair concerned about possible funding crisis given failed funding bid. At the same time the Chair would like to step back from his role, but is finding this difficult.   |
| <b>‘Negotiations’</b>                    | Very different styles of Chair and Coordinator lead to tensions.<br><br>Chair deploys outside consultants to review organization.<br><br>Coordinator resists the process. Leads to further distrust between Chair and Coordinator.<br><br>Disciplinary investigation | Chair takes on line management and mentoring role for new Coordinator, who sees Chair as ‘guiding’ what she does.<br><br>New Coordinator feels Chair trusts her more than the rest of the trustee board. Gradually trust is rebuilt.<br><br>After 4-5 months | Chair concerned by team conflict and Coordinator’s isolation from staff.<br><br>Chair recognizes need to move to more of a line management role and organises an outside mentor. Chair concerned about getting too sucked into a management role.   | Chair tries to negotiate a less involved governance relationship with the organization and Coordinator. However, he feels compelled to give more time when funding crises or problems occur.<br><br>Chair and Coordinator still working on their relationship and discussing how the Chair can best offer support. |

|  |   |  |  |  |
|--|---|--|--|--|
|  | of the Coordinator, who is suspended and then asked to leave. | Coordinator feels more confident to disagree with the Chair. |  |  |
|--|---|--|--|--|

